



Scio Mutual Telephone Association

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September 14, 1992

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Donna R. Searcy, Secretary
Federal Communications Commission
1919 Main Street
Washington, DC 20554

Dear Ms. Searcy:

Enclosed are the comments of Scio Mutual Telephone Association in the matter of amendment of Parts 65 and 69 of the Commission's Rules to Reform the Interstate Rate of Return Represcription and Enforcement Process.

Sincerely,

K.E. Sandner
Acting Manager
Scio Mutual Telephone Association

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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of:

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)
Amendment of Parts 65 and 69 of)
the Commission's Rules to Reform)
The Interstate Rate of Return)
Represcription and Enforcement)
Processes)

CC Docket No. 92-133

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

COMMENTS OF THE SCIO MUTUAL TELEPHONE ASSOCIATION

The Scio Mutual Telephone Association, Scio, Oregon 97374 pursuant to the Notice of Proposed Rulemaking and Order of the Federal Communications Commission (Commission), respectfully submits its Comments in the above-captioned proceeding. Scio is a local exchange carrier providing service to 1400 access lines in Northwestern Oregon.

Scio supports a procedure that treats small companies fairly. The current rules are very complex and time consuming. Simplification and flexibility should be objectives of this proceeding.

The Commission proposes to continue the unitary rate of return. Scio fully supports this proposal. Scio believes that the best surrogate group for the interstate access services of small LECs is a composite of the Bell Operating Telephone Companies (BOCs). The BOCs' capital structures are readily available in the FCC Annual Report Form M. Their debt costs and percentage of total capital are easily determined, and can be simply averaged into a composite industry figure for application to the rate of return carriers. The BOCs provide about 80% of the industry's local exchange access lines, so their capital structures and debt costs would certainly represent the industry as a whole.

Scio believes that any new rules should not use the capital costs or financial structures of the over 1,300 local exchange companies regulated under rate of return. The data for these carriers would be very costly to collect, would not be consistent within themselves, and in many cases would not be available. In order to avoid the immense complications of attempting even to collect the data, the Commission should rely on BOC data which is already prepared and filed with the Commission.

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There is no need to collect and analyze capital structure and debt cost data for Tier 1 LECs other than the BOCs. These 30 carriers account for only 16% of the industry's access lines, and would add little value to the Commission's represcription process, compared to the effort to process this very large quantity of data. Adding the remaining Tier 1 LECs would add reporting burdens with next to no benefits to the public interest.

Codification of any method for determining the cost of equity would severely restrict the Commission's flexibility, and could make future represcriptions more complex. This would be contrary to the Commission's simplification objectives.

The Commission proposes that a represcription be initiated only when capital markets change so significantly and persistently that LEC costs of capital might also change. This method unties the Commission from mandatory represcription and allows for the consideration of special circumstances at the time or in the near future. Scio supports the proposal of USTA on this issue.